

JUL 5 1981

Gentlemen:

Your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted indicates that you were organized on [REDACTED]. Your stated purposes are, in part, (a) the promotion of common interests and general improvements of business conditions of pushcart caterers and/or vendors, and to represent the pushcart catering and vending trade in general, (b) the promotion of common interests of pushcart caterers and/or vendors related to legislative activity before county commissions, municipal councils and the state legislature. (c) to promote cooperative methods of doing business among pushcart caterers and/or vendors, (d) and incidentally, to assist members of the association in purchasing supplies, goods, and related services directly related to pushcart catering and/or vending.

In the application, you state that your specific purposes are to represent the interests of street pushcart vendors/caterers and to provide these interests in order that they may remain as a legitimate business group and to pool benefits for members. Services to be performed are: (1) assume standards of quality for organization members, (2) legal representation of association and related advocacy before city council with respect to assuming that city ordinances are not passed which prejudice association membership, (3) creation of a group for health insurance and liability insurance purposes for association membership, (4) clearing house services, and (5) bulk purchase pooling of foods and supplies. In the [REDACTED] letter from your attorney, [REDACTED] concerning the association he states "One area they intend on benefiting each other through the association is group insurance for their carts (liability), food (liability) and health insurance for the members of the association. Lastly, they intend to rent storage space in downtown [REDACTED] for their pushcarts."

CODE	INITIATION	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, or boards of trade, *** not organized for profit and no part of the net earnings of which inures to the benefits of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Not, an organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league. *** "

Revenue Ruling 56-338, 1966-2 Cumulative Bulletin 226, provides that an organization formed to promote the interests of a particular retail trade which advises its members in the operation of their individual business and sells supplies and equipment to them is not exempt from Federal income tax under section 501(c)(6) of the Code. Representatives of the organization called on the members to consult with them and advise them on their individual problems. In addition, the representative also informed the members about supplies, equipment, and additional services which the organization could make available to the members at low prices. The ruling held that the described activities provided the members of the organization with an economy and convenience in the conduct of their individual business by enabling them to secure supplies, equipment, and services more cheaply than if they had to secure them on an individual basis. Therefore, these activities constituted the performance of particular services for individual persons as distinguished from activities aimed at the improvement of business conditions in their trade as a whole. They also constituted a business of a kind ordinarily carried on for profit even though they are conducted on a cooperative basis and produce only sufficient income to be self-sustaining.

Revenue Ruling 67-176, 1967-1, Cumulative Bulletin 140, holds that an organization which offered insurance plans along with other plans and services to its members was performing particular services for the members and did not qualify for exemption under section 501(c)(6) of the Code.

[REDACTED]

Revenue Ruling 74-81, 1974-1 Cumulative Bulletin 135 states that a nonprofit organization formed to promote the business welfare and interest of persons engaged in the contracting trade and related industries and whose principal activity is to provide its members with group workmen's compensation insurance is not entitled to exemption under section 501(c)(6) of the Code. The basis for denial of exemption was that by providing group workmen's compensation insurance for its members, the organization relieves the members of obtaining this insurance on an individual basis, resulting in a convenience to the conduct of the business. Therefore, the organization was performing particular services for individual persons as distinguished from the improvement of business conditions as a whole.

You intend to provide group health and liability insurance plans to your members, conduct cooperative purchasing of food, supplies and equipment, and to provide a central rental storage place for your members' push carts. The services to be provided are for the economy and convenience in the operation of individual businesses and will not promote the trade in general. Accordingly, it is held that you do not qualify for recognition of exemption under section 501(c)(6) because your primary activities will be the performance of particular services for the benefit of your members. You are required to file Federal income tax returns on Form 1120 annually.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

Sincerely,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018